	Approved For Release 2002/08/12 : C	A-RDP79R00890A001000080031-4	
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- I. Concentration of army troops and equipment in Santiago indicates government preparing a new offensive in Oriente Province.
 - A. Santiago reinforced with some 1500 troops and a number of light tanks.
 - B. The army has dropped leaflets urging the civilians to evacuste areas where land and air attacks are to be directed against the rebels.
- II. Despite special preparations and superior equipment, a new arm/ offensive would probably not succeed.
 - A. Demoralization in armed forces spreading.
 - 1. Officers close to the chief of staff are now reported to see little hope of defeating rebels.
 - 2. Some senior as well as junior officers are suspected of wavering loyalty.
 - 3. Neither officers nor men have confidence in the high command, and resent luxury and safety general staff enjoys in Havana.
 - B. The rebels have a psychological advantage.
 - They have taken every major town between Santiago and Guantanamo City, and government seems concerned that they may actually attack Santiago.
 - 2. Rebels are adequately supplied and have acquired a limited capability to interfere with Cuban Navy operations.

